

REPORT TO BCMM COUNCIL: 29 JUNE 2020

BUFFALO CITY METROPOLITAN MUNICIPALITY'S INTEGRATED DEVELOPMENT PLAN REVIEW, MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) AND BUILT ENVIRONMENT PERFORMANCE PLAN (BEPP) FOR 2020/2021

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[Author: EM (Xola Pakati)/as]

1. PURPOSE

The purpose of this report is for Council to adopt the 2020/2021 Integrated Development Plan (IDP) Review and Medium-Term Revenue and Expenditure Framework (MTREF) and Built Environment Performance Plan (BEPP).

2. AUTHORITY

Buffalo City Metropolitan Council.

3. LEGAL / STATUTORY REQUIREMENTS

- 3.1. The Constitution of the Republic of South Africa, Act 108 of 1996
- 3.2. The Municipal Systems Act no. 32 of 2000, as amended;
- 3.3. The Municipal Structures Act no. 117 of 1998;
- 3.4. The Municipal Finance Management Act no. 56 of 2003; and
- 3.5. MFMA Budget Circular 98 and 99
- 3.6. The Disaster Management Act no. 57 of 2002 and Regulations

4. BACKGROUND

4.1 Integrated Development Plan (IDP) Review

Council adopted an IDP/Budget/Performance Management System (PMS) Process Plan, in compliance with section 28 of the Municipal Systems Act no. 32 of 2000 as amended. In the time schedule required in accordance with s21(1)(b) of the MFMA the Budget, IDP and Performance Management processes have been integrated with the IDP Process to ensure greater

alignment, and efficient, effective and cost saving processes. The plan outlines the process to be followed in reviewing Buffalo City Municipality Metro's Integrated Development Plan (IDP) and Budget.

In terms of section 30(c) of the Municipal Systems Act, the Executive Mayor of a municipality must submit the Integrated Development Plan to the municipal council for adoption.

Section 34 of the Municipal Systems Act 32 of 2000 as amended, further states that a municipal council must review its integrated development plan:

- (i) Annually in accordance with an assessment of its performance measurements; and
- (ii) To the extent that changing circumstances so demand.

In compliance with the above, Buffalo City Metropolitan Municipality has embarked on a review to further develop its IDP and Budget towards the 2020/2021 financial year in accordance with the requirements set out in the Municipal Systems Act 32 of 2000 as amended, the Local Government: Municipal Planning and Performance Management Regulations 2001 & 2006 and the Municipal Finance Management Act 56 of 2003.

Annual revisions allow the municipality to expand upon or refine plans and strategies, to include additional issues and to ensure that these plans and strategies inform institutional and financial planning. The review and amendment of the IDP thus, further develops the IDP and ensures that it remains the principal management tool and strategic instrument for the Municipality.

In compliance with the above provisions, the Buffalo City Metropolitan Municipality's 2020/21 reviewed IDP has been prepared and submitted to Council for adoption, kindly refer to table 1 below for the structure of the revised IDP. Refer to attached annexure A for the 2020/2021 Buffalo City Metropolitan Municipality Integrated Development Plan.

Table 1: Structure of Revised IDP 2019/2020

SECTION A	INTRODUCTION Provides an outline of the legislative imperatives which guide the review of the integrated development plan. An overview of national and provincial plans which were taken into consideration during the development of the plan. It also outlines the process that was followed in the review of the IDP.
SECTION B	SITUATIONAL ANALYSIS This section provides an overview of the municipality focusing on the current situation, key challenges and opportunities in terms of each key performance area. Service delivery backlogs and level of access to municipal services is also outlined. This section also depicts the metro's first attempt at presenting a cohesive footprint of the whole of government's investment into the development of the metro, as guided by the Cabinet approved District/Metro Development Model initiated during 2019.
SECTION C	SPATIAL DEVELOPMENT FRAMEWORK This section details BCMM's current reality and a new vision for spatial development. It also outlines spatial development objectives and strategies as well as special development areas.
SECTION D	DEVELOPMENT OBJECTIVES, STRATEGIES, INDICATORS AND TARGETS Contains Council's development objectives, strategies, indicators and targets for the entire term of Council.
SECTION E	BUDGET, PROGRAMMES AND PROJECTS This section details the capital budget which is aligned to IDP Objectives as well as programmes and projects.
SECTION F	FINANCIAL PLAN A strategic framework for financial management, key financial policies and strategies are outlined in this section.
SECTION G	BCMM OPERATIONAL PLAN This section outlines the structure of the municipality providing a breakdown for each directorate.

4.2 Medium Term Revenue and Expenditure Framework (MTREF) Budget

Section 16(1) of the Municipal Finance Management Act (MFMA) stipulates that the Council of the municipality must for each financial year approve an annual budget for the municipality before the start of that financial year. Section 16(2) stipulates that in order to comply with subsection (1), the mayor of the municipality must table the annual budget at a council meeting 90 days before the start of the budget year.

Section 22 of the MFMA states that immediately after an annual budget is tabled in a municipal council, the accounting officer must make public the annual budget and documents in terms of Section 17; invite the local community to submit representations in connection with the budget; and submit the annual budget to the National Treasury and the relevant Provincial Treasury in printed and electronic formats.

In terms of section 23(2) of the MFMA, after considering all the budget submissions, the Council must give the Executive Mayor an opportunity:

- (a) To respond to the submissions; and
- (b) If necessary, to revise the budget and table amendments for consideration by the council.

In terms of section 24 of the MFMA:

- 1) "The municipal council must at least 30 days before the start of the budget year consider approval of the annual budget.
- 2) An annual budget—
 - (a) must be approved before the start of the budget year;
 - (b) is approved by the adoption by the council of a resolution referred to in section 17(3)(a)(i); and
 - (c) must be approved together with the adoption of resolutions as may be necessary—
 - (i) imposing any municipal tax for the budget year;
 - (ii) setting any municipal tariffs for the budget year;
 - (iii) approving measurable performance objectives for revenue from each source and for each vote in the budget;
 - (iv) approving any changes to the municipality's integrated development plan; and
 - (v) approving any changes to the municipality's budget-related policies.
- 3) The accounting officer of a municipality must submit the approved annual budget to the National Treasury and the relevant provincial treasury."

5. EXPOSITION OF FACTS

5.1 INTEGRATED DEVELOPMENT PLAN (IDP) REVIEW

5.1.1 PROCESS UNDERTAKEN

Section 28 (1) of the Municipal Systems Act requires each municipality to adopt a process in writing to guide the planning, drafting, adoption and review of its integrated development plan. In compliance with this requirement Buffalo City Metropolitan Municipality undertook the following activities (table 2 below) in line with the IDP review towards 2020/21 financial year:

Table 2: IDP Review Process Undertaken

IDP/BUDGET/PMS PROCESS FOLLOWED		PURPOSE	DATES ACHIEVED
NO	ACTIVITY / TASK	PREPARATION PHASE	
PREPARATION PHASE			
1.	Top Management	Considered and recommended the 2019/2020 Capital Roll-Over Adjustment Budget & the 2018/2019 Fourth Adjustment budget	5 August 2019
2.	Budget Steering Committee	<ul style="list-style-type: none"> ▪ Recommended that IDP/Budget/PMS Process Plan and IDP/Budget/PMS Time Schedule (at least 10 months before the start of the budget year) be approved by Council ▪ Considered 2019/2020 Capital Roll-Over Budget (to be tabled before 25 August 2019) & the 2018/2019 Fourth Adjustment budget 	13 August 2019
3.	IDP/OPMS Portfolio Committee	Portfolio Committee recommended that IDP/Budget/PMS Process Plan and IDP/Budget/PMS Time Schedule (at least 10 months before the start of the budget year) be approved by Council	1 August 2019
4.	External IDP/Budget Representative Forum	Stakeholders engaged on the Draft IDP/Budget/PMS Process Plan and Time Schedule	21/08/2019
5.	Top Management Technical Planning Session	Top Management reflected on progress made with implementation of strategic priorities during preceding financial years and reviewed strategic priorities for Council's consideration through Mayoral Lekgotla and Councillors and Traditional Leaders' Lekgotla	11-13/09/2019
6.	Council	<ul style="list-style-type: none"> ▪ Approved IDP/Budget/PMS Process Plan and IDP/Budget/PMS Time Schedule (at least 10 months before the start of the budget year) 	23 August 2019

IDP/BUDGET/PMS PROCESS FOLLOWED		PURPOSE	DATES ACHIEVED
NO	ACTIVITY / TASK		
		<ul style="list-style-type: none"> Approved the 2019/2020 Capital Roll-Over Budget (to be tabled before 25 August 2019) and the 2018/2019 Fourth Adjustment budget 	
7.	Alignment of planned BCMM Catalytic Programmes with Grant funds, Provincial Infrastructure Plans within BCMM and initiatives of State-Owned Enterprises.	Submitted all BCMM Catalytic Programmes to Provincial Treasury for alignment with the Provincial budgeting processes.	15 August 2019
PHASE 1: INSTITUTIONAL, COMMUNITY AND STAKEHOLDER ANALYSIS			
8.	IDP/Budget Workstream meetings	<ul style="list-style-type: none"> Conducted SITUATIONAL ANALYSIS which will guide strategic priorities for the 2020/2021 financial year Reflected on the progress made with key priorities since the adoption of the MGDS Discussed key considerations for strategic priority choices towards implementing MGDS and the IDP Did initial identification of possible Programmes, Projects and Key initiatives 	6 September 2019
9.	Community Needs Analysis	Ward Councillors reviewed current ward priorities and ward plans	09/09/2019 - 27/09/2019
PHASE 2: STRATEGIES			
10.	Executive Mayoral Imbizo	Executive Mayor and Council interacted with ward communities to listen to needs and concerns; and provide feedback on approved programmes and projects for 2019/2020	2 October 2019 – Inland Region (King William's Town) 3 October 2019 – Midland Region (Mdantsane) 4 October 2019 – Urban Coastal Region 5 October 2019 – Coastal Rural Region
11.	BCMM Technical IGR Forum -	<ul style="list-style-type: none"> Deliberated on BCMM situational analysis and reflected on the submission of priority requests to Provincial Government State-owned Enterprises, including BEPP requests Presented IGR transversal issues and feedback to be presented to Mayoral Imbizos throughout BCMM 	20 September 2019
12.	Executive Mayoral Lekgotla	Mayoral Committee reviewed strategic objectives for service delivery and development	24-25 October 2019

IDP/BUDGET/PMS PROCESS FOLLOWED		PURPOSE	DATES ACHIEVED
NO	ACTIVITY / TASK		
13.	IGR Catalytic Programme	Submission of priority requests to provincial sector departments and State-owned Enterprises, including Built Environment Performance Plan (BEPP) requests	9 November 2019
14.	IDP Technical Workstream meetings	Workstreams prepared action plans to Mayoral Lekgotla priorities identified for submission to Council Lekgotla	21 November 2019
15.	Council Lekgotla on outcomes of the Mayoral Lekgotla	Council reflected on their desired key outcomes over the remainder of its 5-year term based on its deep understanding of current and emerging City trends and realities	28 November 2019
16.	Council Budget Workshop	Council deliberated on the 2018/2019 Fourth Adjustment Budget and 2019/2020 First Adjustment Budget	16 August 2019
17.	Budget Workshops with all directorates	<ul style="list-style-type: none"> ▪ Considered strategic IDP priorities and community needs for budgeting purpose; ▪ Prepared submissions for Mid-year adjustment budget; and ▪ Identified service delivery target amendments in accordance with budget adjustments 	18 to 22 November 2019
PHASE 3: PROGRAMMES AND PROJECTS (Identifying, prioritising, costing programmes and projects)			
18.	SDBIP Revision Sessions	Reviewed Key Performance Indicators and Targets contained in the SDBIP and IDP	06/01/2020 - 28/02/2020
19.	Council Meeting	Council considered 2018/2019 Draft Annual Report before advertising it for public comment	29 January 2020
20.	Council Workshop	Council deliberated on the 2019/2020 Mid-year Adjustments Budget	17 February 2020
21.	Council Meeting	Council considered and adopted 2019/2020 Mid-year Adjustments Budget	26 February 2020
PHASE 4: INTEGRATION			
22.	BCMM Technical IGR Forum	Provincial Sector Departments and State-owned Enterprises informed BCMM of provincial budgetary allocations	21 February 2020
23.	National Treasury Mid-year Budget and Performance Assessment Review	National Treasury conducted a mid-year assessment of the municipality in preparation for the adjustment budget in terms of section of MFMA.	13 February 2020
PHASE 5: APPROVAL			
24.	Budget Steering Committee	Considered 2019/2020 Mid-year Adjustments Budget (to be tabled before 28 February 2020)	31 January 2020
25.	Council Workshop	Council deliberated on the 2019/2020 Mid-year Adjustments Budget	17 February 2020
26.	Top Management	Considered Draft (Revised) 2020/2021 IDP and 2020/2023 MTREF	16 March 2020

IDP/BUDGET/PMS PROCESS FOLLOWED		PURPOSE	DATES ACHIEVED
NO	ACTIVITY / TASK		
27.	Budget Steering Committee	Considered Draft (Revised) 2020/2021 IDP and 2020/2023 MTREF	20 March 2020
28.	Budget Steering Committee, IDP/OPMS Portfolio Committee and Finance Committee meetings	Considered Draft (Revised) 2020/2021 IDP and 2020/2023 MTREF	15 May 2020
29.	Councillors and Traditional Leaders' Workshop	Deliberated on the 2020/2021 Draft IDP, Draft 2020/2021 MTREF Budget, Draft BEPP and draft policies.	4 June 2020
30.	Municipal Budget and Benchmark Engagement by National Treasury	Performed the monitoring and oversight function on the proposed 2020/21 MTREF budget of the Buffalo City Metropolitan Municipality required in terms of section 23 of the MFMA.	10 June 2020
31.	Council Meeting	<ul style="list-style-type: none"> ▪ Approved the 2020/2021 Draft IDP, Draft 2020/2021 MTREF Budget, Draft BEPP and draft policies. ▪ Approved the proposed budget of the entity and assessed the entity's (BCMDA) priorities and objectives and made recommendations. 	12 June 2020
32.	Virtual IDP/Budget Roadshow	Consulted the 2020/2021 Draft IDP, Draft 2020/2021 MTREF Budget, Draft BEPP and draft policies with the public.	14 – 15 June 2020
33.	Councillors & Traditional Leaders' Workshop on Revised Budget Related Policies for the 2020/2021 MTREF	Presented the Revised Budget Related Policies for the 2020/2021 MTREF Budget to Councillors and Traditional Leaders.	18 June 2020
34.	Top Management Meeting	Considered and recommended the Final 2020/2021 revised IDP, 2020/2021 MTREF Budget and Policies, after considering the submissions made by the local community, National or Provincial Treasury, national or provincial organs of state or neighbouring municipalities.	19 June 2020
35.	Budget Steering Committee Meeting	Considered and recommended the Final 2020/2021 revised IDP, 2020/2021 MTREF Budget and Policies, after considering the submissions made by the local community, National or Provincial Treasury, national or provincial organs of state or neighbouring municipalities.	19 June 2020
36.	Council Meeting	Adopted the Final 2020/2021 revised IDP, 2020/2021 MTREF Budget and Policies, after considering the submissions made by the local community, National or Provincial Treasury, national or provincial organs of state or neighbouring municipalities.	29 June 2020

5.1.2 KEY INFORMANTS

IDP review towards the 2020/2021 financial year has taken cognisance of both internal and external factors which include the above-mentioned process as well as the following key informants:

Assessment Issues

- The comments on the last adopted IDP provided by the MEC for Local Government in accordance with Sections 31 and 32 of the Municipal Systems Act;
- Findings contained in the National Treasury Benchmarking Report on their assessment of the metro's Budget;
- Findings contained in the Auditor General's Report of the previous financial year/s; and
- Shortcomings and weaknesses identified through self-assessment.

Review of the Strategic Elements of the IDP in terms of priorities of Council and the objectives of Management

- Review of the Strategic elements of the IDP and integrating the strategic intent throughout the budget process, including mSCOA alignment, and finalizing of the Service Delivery and Budget Implementation Plan (SDBIP);
- Amendment of the Spatial Development Framework (currently being revised);
- Review of the Disaster Management Plan (currently being revised);
- Review of the Integrated Waste Management Plan (currently being revised); and
- Update of Financial Plan and other Master Plans and Sector Plans.

Inclusion of new information where necessary

- Addressing areas requiring additional attention in terms of legislative requirements not addressed during the compilation of the 2016/17-2020/2021 IDP and all following revisions conducted in accordance with the relevant legislation (i.e. MFMA Regulatory Circulars),

particularly to those applicable to the declaration of a National State of Disaster as was done in terms of Section 27 of the Disaster Management Act No. 57 of 2002 due the Global Pandemic of Covid-19;

- Update of the Socio-Economic Profile (BCMM Situational Analysis/Profile); and
- Public Participation Input and revision of Ward Priorities.

Institutionalising of Planning Reforms

- BCMM is a keen participant in the Institutionalising of Planning Reforms processes led by National Treasury, Department of Planning, Monitoring and Evaluation, Department of Cooperative Governance and Department of Agriculture, Land Reforms and Rural Development.
- Key guiding principles for this IDP Review emanates from the following policy/guiding processes:
 - Integrated Planning Framework Bill
 - Memorandum: Rationale for Transitioning out of Planning Reforms and BEPPS to Sharpen the Planning Tools
 - Revision of IDP Guidelines for Metropolitan Municipalities
 - District/Metro Development Model

5.1.2.1 BCMM priorities from the Executive Mayoral Lekgotla

Council's Ten-Point Plan

The BCMM Council Lekgotla held on 9 November 2018 considered and confirmed the outcomes of the Executive Mayoral Lekgotla, and as a result the 10-Point Plan emanating from the Mayoral Lekgotla of 2017 were endorsed. At a Councillors' Workshop held over two days (15 and 19 March 2019) further amendments were considered and approved impacting on the broad strategic framework of the municipality.



Figure 1: Council's Ten-Point Plan

Mayoral Lekgotla Priorities 2019

Whilst Council remains focused on the Ten-Point Plan as a strategic directive for its term of office, the Executive Mayoral Lekgotla (held on 24-25 October 2019), followed by the Council and Traditional Leaders' Lekgotla (held on 28 November 2019) further identified strategic priorities and action plans that will propel the city towards its strategic objectives for the medium to long-term.

These Mayoral Lekgotla Priorities, arranged in accordance with the BCMM Metro Growth and Development Strategy (MGDS) and Integrated Development Plan, are aligned with the National and Provincial Policy Directives through the Medium-Term Strategic Framework (MTSF) 2019/2024 and Provincial Development Plan (PDP) 2030.

5.1.3 BCMM KEY AMENDMENTS FOR IDP REVISION 2020/2021

5.1.3.1 Proposed High-Level Changes

All processes undertaken above contributed to the IDP/Budget review towards the 2020/2021 financial year. During the review process BCMM's vision, mission and key strategic focus areas were revisited. Consequently, the vision, mission, values council's ten-point plan, strategic outcomes, strategic objectives and key focus areas encapsulated in the IDP and MGDS remain unchanged for this review.

A graphic representation of the confirmed building blocks is depicted as follows:



Figure 2: IDP Building Blocks

5.1.3.2 IDP Review Recommendations

In summary, the IDP Review Recommendations to Council are to:

- a) Retain the Vision Statement of the 5-year IDP and Long-term MGDS;
- b) Retain the Mission Statement of the 5-year IDP and Long-term MGDS;
- c) Retain the Core Values;
- d) Retain the 5 Strategic Outcomes in the 5-year IDP and Long-term MGDS;
- e) Confirm Council's Ten-point Plan as the political directive for all strategic choices;
- f) Retain the 47 Key Focus Areas;

- g) Approve the 30 top priorities as arranged in accordance with the respective Strategic Outcomes of the MGDS and IDP, for the Revised IDP for 2020/2021; and
- h) Approve that the proposed projects, programmes and key initiatives aligned with the top 30 priorities be duly considered as priority interventions that must be taken into account during the budgeting process.

The Integrated Development Plan (IDP) is the overall strategic development plan for a municipality, prepared in terms of the Municipal System Act, Act 32 of 2000, that guide decision-making, budgeting and development in the municipality. The Spatial Development Framework presents the long-term vision of the desired spatial form of the municipality. The SDF is thus a critical component to the IDP to direct municipal and private sector spending and investment by providing spatial proposals and strategies (thus the location and nature of development) which will support economic growth and integrated human settlements. The Spatial Development Framework adopted by Council in November 2013 is hereby submitted together with the IDP in accordance with Section 32 of the Municipal Systems Act, Act 32 of 2000 and the Spatial Planning and Land Use Management Act, 16 of 2013 which confirms in Section 20(2) that a municipal SDF must be prepared 'as part of' a municipal IDP. The Spatial Development Framework 2013 is currently being reviewed and Council is expected to adopt the amended SDF within the first quarter of the 2020/2021 financial year.

5.1.3.3 Community Consultation Process on the 2020/2021 IDP and MTREF Budget

The draft 2020/2021 Integrated Development Plan review and MTREF Budget as well as BEPP were tabled to Council on 12 June 2020. Thereafter the draft documents were made available to the community via the municipality's website. Due to COVID-19 Regulations in place at the time, the City embarked on an IDP/Budget Virtual Roadshow during

which the draft IDP and Budget were presented via radio and social media platforms on 14 and 15 June 2020. The members of the public were awarded an opportunity to submit their inputs via a WhatsApp line created for this purpose, on live radio and social media comments options. Further to this an e-mail address was created through which the metro received numerous submissions on the draft IDP and Budget until the deadline of 19 June 2020. The City considered all public inputs in the compilation of this final IDP, BEPP and 2020/2021 MTREF Budget document. Refer to Annexure AB for the detail of comments received from public.

5.2 MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF) BUDGET

5.2.1 NATIONAL TREASURY BENCHMARK ENGAGEMENT

The Benchmarking Engagement Exercise was held with National Treasury for the assessment of the draft IDP, BEPP and 2020/2021 MTREF Budget. The purpose of the engagement was to assess the alignment between planning, budgeting and reporting, and to determine if the City is financially sustainable. Comments were received from National Treasury, which are summarised below:

- **Credibility**
 - Budget assumptions are credible
 - Operating budget is multi-year
 - Capital budget is multi-year
 - Communities are still to be consulted on the budget as the budget is not yet tabled
- **Relevance**
 - There is Strategic Alignment between Medium Term Strategic Framework (National) 2019/2024, Provincial Development Plan

2030, BCMM Metro Growth and Development Strategy 2030 and 2020/21 IDP

- Principles set in National and Provincial Government are equally applicable in BCMM
- Circular 98 and 99 were considered when compiling the budget

- **Sustainability**

- City's budget is funded over the MTREF; however, low consumer collection rate remains a threat towards the sustainability of the City

5.2.2 NATIONAL TREASURY MFMA CIRCULARS

National Treasury issued MFMA Circular No. 98 on 6 December 2019 and MFMA Circular No. 99 on 9 March 2020 to guide the compilation of the 2020/2021 MTREF. On 8 April 2020, National Treasury issued an annexure to MFMA Circular 99. Some of the key issues highlighted by the circulars are as follows:

South Africa's public finances deteriorated over the past decade; a trend that accelerated in recent years as low growth led to large revenue shortfalls. For 10 years, the country has run large budget deficits.

The 2020 Medium Term Expenditure Framework (MTEF) includes large reductions in planned transfers to municipalities. The implication of these reductions is that municipalities will be required to reprioritise projects.

The declining economic growth which might be impacted on further by the Corona virus pandemic and international companies closing down as a result, the deteriorating state of the finances for state-owned entities, continued high unemployment and water and electricity shortages will put pressure on the ability of municipalities to raise revenue. In this context, municipalities are therefore advised to follow a conservative approach when

projecting their revenue and to eliminate any waste and unnecessary expenditure by implement stringent cost containment measures.

The CPI rates are estimated at 4.5% in 2020/21 and 4.6% in both 2021/22 to 2022/23 financial years.

5.2.3 BUDGET GUIDELINES AND PRINCIPLES

The following budget principles and guidelines informed and provided the bases for the compilation of the 2020/2021 MTREF budget:

- i. The 2019/2020 mid-year adjustment budget and actual figures were used as the baseline for the 2020/2021 MTREF budget. Further, reassessment of activities was undertaken to determine if there have been any changes of circumstance that have impact on the compilation of the budget,
- ii. The reassessment of activities was also undertaken in order to revise the baseline where circumstances have changed, this also includes the implications of COVID-19.
- iii. The service charge tariffs have been calculated taking into consideration the input costs of generating the services.
- iv. Ability to maintain and renew existing assets whilst also addressing the backlogs was part of the consideration.
- v. The affordability of the service charges to the consumers was one of the guiding principles.
- vi. The budget must be funded as per MFMA Circular 42;
- vii. Projects and programmes must be within affordability limits.

5.2.4 MTREF BUDGET (2020/2021 – 2022/2023)

Section 17(1) of the MFMA requires that the annual budget of the municipality be in the prescribed format;

- Setting out realistically anticipated revenue for the budget year from each revenue source.
- Appropriating expenditure for the budget year under the different votes of the municipality.

- Setting out indicative revenue per revenue source and projected expenditure by vote for the two financial years following the budget year.
- Setting out the estimated revenue and expenditure by vote for the current year and actual revenue and expenditure by vote for the current year.

The following tabulated budget assumptions were used in the preparation of the MTREF budget, these are narrated beneath the table:

Table 3: Budget Assumption

DESCRIPTION	2019/2020	2020/2021	2021/2022	2022/2023
National Treasury Headline Inflation Forecasts	5,20%	4,50%	4,60%	4,60%
Salaries	6,70%	6,25%	6,25%	6,25%
Electricity Purchases	15,63%	10,68%	10,68%	10,68%
Water Purchases	6,85%	8,28%	8,28%	8,28%
Free Basic Electricity	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.	50 kwh p.m.
Free Basic Water	6 kl p.m.	6 kl p.m.	6 kl p.m.	6 kl p.m.
Basic Welfare Package	659,53	R717,03	R775,20	R839,73
Equitable Share Allocation	R 847,431,000	R 911 042 000	R 981 171 000	R 1 048 587 000
Bad Debt Provision	7,50%	9,50%	7,50%	7,50%
Property Rates	9,00%	8,50%	8,00%	7,00%
Refuse Tariff	9,35%	9,20%	8,50%	8,50%
Sewerage Tariff	9,40%	9,20%	8,50%	8,50%
Electricity Tariff	13,07%	6,22%	5,20%	8,90%
Water Tariff	9,40%	9,20%	9,10%	9,10%
Fire Levy	9,30%	8,70%	8,00%	8,00%
Sundry Income	9,30%	8,70%	8,00%	8,00%

- i. Property Rates are projected to increase by 8.5% for 2020/21 financial year, the increase slightly decreases to 8% in 2021/22 and further decreases to 7% in 2022/23 financial year.
- ii. Refuse Removal has been projected to increase by 9.2% for the 2020/21 financial year, the increase slightly decreases to 8.5% in both 2021/22 and 2022/23 financial years.

- iii. Water Service tariff increases are projected at 9.2%, 9.1%, and 9.1% over the 2020/2021 MTREF period respectively.
- iv. On Electricity, the tariff will increase by 6.22% in 2020/21 financial year and decreases to 5.2% in 2021/22 and it increases to 8.9% 2022/23 financial year. The Electricity tariff applied is in line with the National Electricity Regulator of South Africa (NERSA) guideline.

It must be mentioned that NERSA advised the Metro that it can apply for an additional 2% increase – this is to assist the Metro in reducing electricity losses. The Metro has only applied for an additional 2% increase in three sectors, namely; prepayment domestic, prepayment business and 2A business customers. The 2% increase will bring the electricity tariff increase in the above-mentioned sectors to 8.22%. Should the additional 2% increase on the above-mentioned sectors be approved by NERSA, it would be invested in reducing electricity losses.

- v. The Sewerage tariff increase has also been kept below double-digit percentage increase, it will increase by 9.2% for the 2020/21; slightly decreases to 8.5% in the outer years.
- vi. Revenue Collection Rate of 90.5% has been projected.
- vii. Repairs and maintenance budget is currently 5.3% of the total Operating Expenditure Budget. The City is striving towards a 10% repairs and maintenance of its total operating budget owing to the aging of the City's infrastructure and historic deferred maintenance. The City's infrastructure repairs and maintenance programme is complemented by the renewal and upgrading of existing infrastructure programme as the City is using revaluation method to value its infrastructural assets.
- viii. Employee costs as a percentage of total operating cost is 31% over the MTREF. Though this rate is still within the norm of 25% to 40% as per MFMA Circular 71, it requires close monitoring to avoid an increasing trend.
- ix. An increase of 6.25% was factored in the employee costs in line with the Salary and Wage Collective Agreement.
- x. The City has established a Revenue Protection Unit, the main aim of this unit is to reduce the losses; however, there is a limit to what can be done

with limited resources in the short term and the extent to which losses can be reduced.

6. CHALLENGES

6.1 INTEGRATED DEVELOPMENT PLAN

The following challenges and proposed solutions regarding the IDP Review have been identified:

Challenges

- i. The strategic and operational priorities for the immediate and mid-to-long term for the City have shifted significantly due to COVID-19. The economic ramifications have already been enormous and are projected to become even more devastating as sectors are coming to grips with the effects of the lockdown. There is no doubt that the City will be hit hard with the economic crisis and that the context within which the IDP Review for the 2020/2021 financial year has been drafted has changed, and quite drastically so.
- ii. The IDP/Budget/PMS Process Plan could not be adhered to due to the lockdown.
- iii. Possible non-compliance with regulatory timeframe for consultation with the public. MSA sec. 42; Local Government: Municipal planning and performance management regulations (GNR. 796 of 24 August 2001) Reg 15(3) states that a municipality must afford the local community at least 21 days to comment on the final draft of its integrated development plan before the plan is submitted to council for adoption. Section 4 (2) of the Municipal Property Rates Act compels a municipality to, before adopting its rates policy, allow the local community to submit comments and representations on its draft rates policy within a period of no less than 30 days after notice.

Proposed Responses

- i. It is recommended that the City invests time and resources into detailed SCENARIO PLANNING for the long-term trajectory as part of the 2020/2021 strategic planning processes, whilst managing the immediate and short-term strategic and statutory processes with as much care as possible within these extremely difficult times.
- ii. A revised Process Plan was submitted to Top Management, IDP/OPMS Portfolio Committee and Council to conclude the IDP Review.
- iii. BCMM requested a waiver or an exemption from National Treasury and National COGTA in complying with the above legislations with specific reference to the 30 and 21 days public consultation that is prescribed by the Municipal Property Rates Act and Municipal Planning and Performance Management Regulations respectively, as it is impossible to do so without compromising the requirement by the MFMA which prescribes that an annual budget must be approved before the start of the budget year.

6.2 MTREF BUDGET

Finding a balance between endless service delivery needs and setting affordable tariffs is always a challenge when compiling a budget and this challenge was also experienced in the compilation of the 2020/2021 MTREF. The following are the associated risks with achieving the 2020/21 MTREF projections:

- i. Higher levels of unemployment are likely to increase levels of indebtedness and defaulting on payments as a result of COVID-19.
- ii. Increase in input costs to the provision of basic services could lead to trading services operating at a deficit.
- iii. Aging infrastructure is a risk that could disrupt the provision of services and cause unhappy consumer that might decide not to honour the municipal accounts.
- iv. Electricity and water losses that are above the norm.

7. STAFF IMPLICATIONS

None.

8. FINANCIAL IMPLICATIONS

The consolidated budget for the 2020/2021 MTREF period is R9.2 billion (2020/2021), R9.8 billion (2021/2022) and R10.3 billion (2022/2023) with the table below summarising the consolidated overview of the 2020/2021 MTREF Budget. A detailed budget report is attached as Annexure B:

Table 4: Consolidated Overview of the 2020/2021 MTREF Budget

DESCRIPTION	2019/2020 ADJUSTED BUDGET	2020/2021 FINAL BUDGET	INCREASE OR (DECREASE) %	2021/2022 FINAL BUDGET	2022/2023 FINAL BUDGET
Total Operating Revenue	7 146 186 183	7 507 551 640	5,06	8 095 037 320	8 680 319 682
Total Operating Expenditure	7 139 981 986	7 506 952 648	5,14	8 093 062 282	8 679 528 195
Surplus/(Deficit) for the year	6 204 197	598 992		1 975 038	791 487
Total Capital Expenditure	2 233 410 248	1 660 238 597	(25,66)	1 721 705 566	1 614 507 492
Total Opex and Capex Budget	9 373 392 234	9 167 191 245		9 814 767 848	10 294 035 687

9. OTHER PARTIES CONSULTED

- 9.1 Buffalo City Metropolitan Council
- 9.2 Mayoral Committee
- 9.3 Budget Steering Committee
- 9.4 IDP/PMS Portfolio Head
- 9.5 BCMM Top Management
- 9.6 BCMM Directorates
- 9.7 External Stakeholders

10. RECOMMENDATIONS

- 10.1. The Council of Buffalo City Metropolitan Municipality, acting in terms of Section 34 of the Municipal Systems Act, 32 of 2000 approves and adopts the revised 2020/2021 Integrated Development Plan (IDP)

inclusive of the Spatial Development Framework (SDF) as required by S32 of the Municipal Systems Act.

- 10.2. The Council of Buffalo City Metropolitan Municipality note that, in embracing the intention of the District/Metro Development Model, which is for all three spheres of government to work off a common strategic alignment platform, Section B of the Revised IDP for 2020/2021 is a reflection of both the shared intergovernmental situational analysis of BCMM and Government's investment footprint in the metro.
- 10.3. The Council of Buffalo City Metropolitan Municipality, acting in terms of Division of Revenue Bill (DoRB), approves and adopts the 2020/2021 Built Environment Performance Plan (BEPP)
- 10.4. The Council of Buffalo City Metropolitan Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 10.4.1 The consolidated annual budget of the municipality for the 2020/2021 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:
 - i. Budgeted Financial Performance (revenue and expenditure by functional classification);
 - ii. Budgeted Financial Performance (revenue and expenditure by municipal vote);
 - iii. Budgeted Financial Performance (revenue by source and expenditure by type); and
 - iv. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
 - v. Budgeted Financial Position;
 - vi. Budgeted Cash Flows;
 - vii. Reserves and accumulated surplus reconciliation;
 - viii. Asset management; and
 - ix. Basic service delivery measurement.

10.4.2 The annual budget of the parent municipality for the 2020/2021 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:

- i. Budgeted Financial Performance (revenue and expenditure by functional classification);
- ii. Budgeted Financial Performance (revenue and expenditure by municipal vote);
- iii. Budgeted Financial Performance (revenue by source and expenditure by type); and
- iv. Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source.
- v. Budgeted Financial Position;
- vi. Budgeted Cash Flows;
- vii. Reserves and accumulated surplus reconciliation;
- viii. Asset management; and
- ix. Basic service delivery measurement.

10.4.3 The annual budget of the municipal entity (BCMDA) for the 2020/2021 MTREF and the multi-year and single-year capital appropriations as set out in the following tables:

- i. Budgeted Financial Performance (revenue by source and expenditure by type); and
- ii. Budgeted Financial Position;
- iii. Budgeted Cash Flows;
- iv. Budgeted Capital by Asset Class and Funding

10.5. The Council of Buffalo City Metropolitan Municipality, acting in terms of section 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts tariffs effective from 1 July 2020:

10.5.1 Property rates – as set out in Annexure F

10.5.2 Electricity – as set out in Annexure F

- 10.5.3 Water – as set out in Annexure F
 - 10.5.4 Sanitation services – as set out in Annexure F
 - 10.5.5 Solid waste services – as set out in Annexure F
 - 10.5.6 Other services as set out in Annexure F
- 11 To give proper effect to the municipality's annual budget, the Council of Buffalo City Metropolitan Municipality approves:
- 11.1 That an indigent subsidy be granted to registered indigents in terms of Council's Indigent Policy.
 - 11.2 That an indigent consumer be given an average social subsidy package on his/her account as contained in table 15 of Annexure B.
 - 11.3 That free basic electricity be granted for a registered indigent consumer of 50KWh per month.
 - 11.4 That free basic water be granted to a registered indigent of 6KL per month.
- 12 The Buffalo City Metropolitan Municipality Council, approves and adopts the revised budget related policies:
- 12.1 Tariff Policy – as set out in Annexure G
 - 12.2 Property Rates Policy – as set out in Annexure H
 - 12.3 Supply Chain Management Policy – as set out in Annexure I
 - 12.4 Budget Virement Policy – as set out in Annexure K
 - 12.5 BCMM Credit Control Policy – as set out in Annexure M
 - 12.6 BCMM Indigent Support Policy – as set out in Annexure N
 - 12.7 Investment and Cash Management Policy – as set out in Annexure T
- 13 That Council notes the budget-related policies adopted in the previous financial years and where no amendments have been made after review, as listed in Section 2.4.1 of Annexure B and are available on BCMM's website at www.buffalocity.gov.za .
- 14 The Buffalo City Metropolitan Municipality Council, approves and adopts the new policy on Cost Containment Measures attached as annexure U.

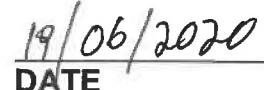
- 15 That in terms of Section 24(2)(c)(iii) of the Municipal Finance Management Act, 56 of 2003, the measurable performance objectives for capital and operating expenditure by vote for each year of the medium-term revenue and expenditure framework as set out in Supporting Table SA7 be approved.
- 16 That in terms of Section 24(2)(c)(iv) of the Municipal Finance Management Act, 56 2003, the amendments to the Integrated Development Plan as set out in the Budget Chapter 17 be approved.
- 17 Council notes that the consolidated 2020/2021 MTREF Budget tabled for adoption is structured in terms of the Buffalo City Metropolitan Municipality votes and functions.
- 18 MFMA Budget Circular 98 and 99 for the 2020/2021 MTREF attached as Annexure W to be noted by Council.



X. PAKATI

EXECUTIVE MAYOR

BUFFALO CITY METROPOLITAN MUNICIPALITY



DATE

ANNEXURES:

- A: 2020/2021 Revised Buffalo City Metropolitan Municipality Integrated Development Plan
- B: 2020/2021 - 2022/23 Buffalo City Metropolitan Municipality Medium Term Revenue and Expenditure Framework Budget
- C.1. 2020/2021 MTREF Capital Projects - Per Programme/Project
- C.2. 2020/2021 MTREF Capital Projects – Detailed Schedule
- D.1. 2020/2021 MTREF Operating Projects-Per Programme/Project
- D.2. 2020/2021 MTREF Operating Projects – Detailed Schedule
- E: BCMM mSCOA Project Plan
- F: 2020/2021 Tariff Book
- G: 2020/2021 Tariff Policy
- H: 2020/2021 Property Rates Policy & Property Rates By-Law
- I: 2020/2021 Supply Chain Management Policy
- J: 2020/2021 Immovable Asset Policy
- K: 2020/2021 Budget Virement Policy
- L: 2020/2021 Funding and Reserves Policy
- M: 2020/2021 Credit Control Policy
- N: 2020/2021 Indigent Support Policy
- O: 2020/2021 Long-Term Borrowing Policy
- P: 2020/2021 Movable Asset Policy
- Q: 2020/2021 Capital Infrastructure & Investment Policy
- R: 2020/2021 Long Term Financial Planning Policy

- S: 2020/2021 Budget Management and Oversight Policy
- T: 2020/2021 Investment & Cash Management Policy
- U: 2020/2021 Cost Containment Policy
- V: 2020/2021 Service Level Standards
- W: MFMA Budget Circular 98 and 99
- X: 2020/2021 Consolidated A-Schedules
- Y: 2020/2021 Parent A-Schedules
- Z: 2020/2021 Municipal Entity D-Schedules (BCMDA)
- AA: 2020/2021 Built Environmental Performance Plan
- AB: Public Participation Written Comments Received on Draft 2020/2021 Revised Integrated Development Plan (IDP) and Draft 2020/2023 Medium Term Revenue and Expenditure Framework